

EXECUTIVE SECRETARIAT

Routing Slip

TO:		ACTION	INFO	DATE	INITIAL
1	DCI				
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5	DDI		✓		
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16	C/PAD/OEA				
17	SA/IA		✓		
18	AO/DCI				
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Remarks:

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25 Oct 82*

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11/17/82

Date

THE WHITE HOUSE
WASHINGTON

Executive Registry

82-12640/1

CABINET AFFAIRS STAFFING MEMORANDUM

DATE: 11/16/82 NUMBER: ----- DUE BY: -----

SUBJECT: Cabinet Council on Commerce and Trade Minutes

October 25, 1982

	ACTION	FYI		ACTION	FYI
ALL CABINET MEMBERS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Baker	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Vice President	<input type="checkbox"/>	<input type="checkbox"/>	Deaver	<input type="checkbox"/>	<input type="checkbox"/>
State	<input type="checkbox"/>	<input type="checkbox"/>	Clark	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Treasury	<input type="checkbox"/>	<input type="checkbox"/>	Darman (For WH Staffing)	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Defense	<input type="checkbox"/>	<input type="checkbox"/>	Harper	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Attorney General	<input type="checkbox"/>	<input type="checkbox"/>	Jenkins	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Interior	<input type="checkbox"/>	<input type="checkbox"/>	Wheeler	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Agriculture	<input type="checkbox"/>	<input type="checkbox"/>	Kudlow	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Commerce	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Labor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
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Energy	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Education	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
Counsellor	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
OMB	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>	<input type="checkbox"/>
CIA	<input type="checkbox"/>	<input type="checkbox"/>	CCCT/Gunn	<input type="checkbox"/>	<input checked="" type="checkbox"/>
UN	<input type="checkbox"/>	<input type="checkbox"/>	CCEA/Porter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
USTR	<input type="checkbox"/>	<input type="checkbox"/>	CCFA/Boggs	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	CCHR/Carleson	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CEQ	<input type="checkbox"/>	<input type="checkbox"/>	CCLP/Uhlmann	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OSTP	<input type="checkbox"/>	<input type="checkbox"/>	CCMA/Bledsoe	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	<input type="checkbox"/>	<input type="checkbox"/>	CCNRE/Boggs	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: Attached for your information are the minutes of the October 25 meeting of the Cabinet Council on Commerce and Trade.

RETURN TO:

☐ Craig L. Fuller
Assistant to the President
for Cabinet Affairs
456-2823

☒ Becky Norton Dunlop
Director, Office of
Cabinet Affairs
456-2800

Meeting #45, October 25, 1982

2:00 p.m., Cabinet Room

Attendees: The President, Messrs. Meese, Baldrige, Donovan, Lewis, Weinberger, McNamar, Baxter, Brock, Casey, Lyng, Dam, Feldstein, Stockman, Edwards, Harper, Keyworth, Wright, Gergen, Gunn, Duberstein, Darman, Fuller, McMinn, Jenkins, Cribb, Cicconi, Olmer, Finan, and Ms. Dole and Ms. Dunlop

Competitiveness of U.S. High Technology Industries

Secretary Baldrige opened the meeting by explaining that the study to be discussed at this meeting was undertaken in response to a concern that U.S. preeminence in science and technology is being seriously challenged. He suggested that the U.S. must develop effective policy responses which enhance U.S. competitiveness and ensure continued U.S. preeminence for economic and national security reasons. He cautioned, however, that such policies should not be protectionist in nature or emulations of foreign governments' industrial policies. At the same time, they should take account of the realities of today's international markets, particularly the support that foreign governments give to their high technology industries and their industry targeting efforts.

Commerce Under Secretary Lionel Olmer and Presidential Science Adviser George Keyworth made a joint presentation on the present status of U.S. competitiveness in high technology.

Under Secretary Olmer employed visuals to illustrate the significance of high technology industries generally:

- o As a group, they have grown twice as fast as total U.S. business;
- o Labor productivity grew six times as fast as that of total U.S. business;
- o Employment growth has been fifty percent higher than that in basic industries;
- o They have accounted for a substantial trade surplus for the U.S.

Under Secretary Olmer also discussed the critical role that high technology plays in national security. He then noted that the increasing challenge to U.S. preeminence in high technology was, to a substantial degree, inevitable, as new players around the world followed the U.S. into the high technology field. However, he also cited the efforts of other countries to focus their efforts, in concert with private companies, on high technology sectors for development. He described this problem as serious and growing. He then identified a number of perceived constraints on high technology development, e.g., cost of capital, technology transfer, shortage of skilled personnel, and the industrial and trade policies of other nations.

Dr. Keyworth discussed a number of internal constraints on U.S. competitiveness, including:

- o burdensome regulations;
- o tax incentives favoring "smokestack" industries rather than high technology industries;
- o antitrust policies which restrain cooperative R&D;
- o barriers to rapid commercialization of research results.

He suggested that actions to strengthen the economy are the most effective means of ensuring the ability of American industry to compete in world markets. He also reviewed actions already taken by the Administration, including its new R&D policy which emphasizes research, technology transfer, industry involvement in goalsetting, and manpower planning. He concluded by presenting options for future Administration action:

- o reexamine our policies designed to ensure a free-trade environment in which our free-enterprise system can successfully compete;
- o reexamine existing tax incentives for growth in industrial capital investment and R&D and their specific impacts on high-technology industries;
- o reexamine our anti-trust and patent policies to determine their impact on competitiveness of high-technology industries.

OMB Director Stockman suggested that the study presented an exaggerated picture of decline and added (1) the U.S. trade the U.S. trade surplus in high technology is large and growing; (2) there is a serious question as to whether the "true" high technology category shows significant market share erosion; and (3) the U.S. leads the world in R&D spending as percent of GNP.

He also noted that a number of favorable changes in tax and antitrust policies have been made during this Administration.

Ambassador Brock noted that Japan currently graduates more engineers than the U.S. and that 90 percent of the 1990 U.S. workforce is already working. Hence, the manpower problems in high technology will probably be with us for a while.

Secretary Weinberger and Secretary Lewis both felt that study, with appropriate revisions, was an important one and should go forward.

Ed Harper pointed out the need to focus on process as well as products and to be careful about government involvement in manpower planning, noting that we were once awash in engineers. He also stressed the need to address the trade policy issues.

Action Taken: The President and the Council agreed that the importance of science and technology to U.S. competitiveness and national security merits continuation of the study of U.S. high technology industries, including consideration of U.S. trade, tax, patent and legal policies.